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ABSTRACT

This issue summarizes study findings on how education agencies in California, Nevada, and Utah are responding to federal cutbacks, consolidation, and deregulation. Using the term "school improvement" to refer to a wide variety of activities and services, negative factors identified by the researchers include: elimination of many federally funded school improvement projects; cutbacks in other education programs that reduce school improvement capacity; long-term shortfalls in support for research and development affecting the size and quality of the knowledge base; and shortfalls in state and local funding that reduce the capacity of education agencies to support school improvement activities. Positive factors include: improvements in the quality and efficiency of many remaining programs; continued support for some truly useful projects; initiation of some new projects; establishment of cooperative efforts to share resources and secure public, political, and financial support; and reorientation of education agency planning from narrow and short-term to multiprogram, multiagency, long-term perspectives. (MLF)

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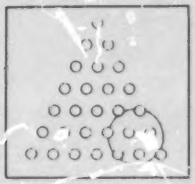

*Cutbacks, Consolidation, Deregulation*

# How They Affect Education Agencies in the Far West

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RESEARCH AND EDUCATIONAL PRACTICE IN THE FAR WEST

*Cutbacks, Consolidation, Deregulation*

# How They Affect Education Agencies in the Far West

Schools have been facing financial problems for years, but these problems are becoming more acute. The cost of public education rises faster than the capacity of state and local governments to meet it. Inflation, recession, tax-limitation measures — all limit state and local revenues. At the same time, current economic conditions are increasing the demand for other public services. Now, cutbacks in federal education spending have tightened the financial squeeze on public schools.

How have school districts and other education agencies in the Far West responded? What do the financial pressures mean for efforts to improve the quality of public education? To answer these questions, the Educational Dissemination Studies Program (EDSP) at the Far West Laboratory has undertaken an in-depth study of education agencies in the three states served by the Far West Laboratory — California, Nevada, and Utah.

Like the work of David Clark and Mary Anne Amiot described in *Research and Educational Practice Improvement Notes*, the EDSP research starts with recent federal moves — fiscal cutbacks, program consolidation and deregulation — but it goes beyond policy to show how these moves interact with state and local contexts to affect the capacity of agencies at every level — state, intermediate, and local — to offer school improvement-related services.

*School improvement* is a broad term. EDSP researchers use it to refer to a wide variety of activities and services, including inservice training, technical assistance, information services, libraries, and curriculum materials centers. All these activities and services seek to extend and enhance the practice of teachers and administrators.

EDSP researchers set out to answer two questions. First, how are education agencies in the Far West states responding to budget cutbacks and to federal and state program consolidation and deregulation? Second, how are cutbacks and consolidation affecting staff development — one of the most widely used and effective school improvement strategies?

More than one hundred individuals and twenty-five public education agencies in California, Nevada, and Utah contributed information during the first phase of this effort. Findings from the first phase are now available in a four-volume report. This issue of *Research and Educational Practice in the Far West* describes how education agencies in California, Nevada, and Utah are responding to cutbacks, consolidation, and deregulation. The effects of these moves on staff development activities will be reported in the next issue.

## Background

California, Nevada, and Utah differ in many ways. Nevertheless, public schools in all three states face the same problem: Their financial resources are inadequate to meet the rising costs of existing programs and services.

The large state surplus used to fund public education in California after Proposition 13 was passed in 1978 was exhausted early this year. The legislature adopted an austere $25.2 billion budget for 1982-83 at the end of June. It provides no cost-of-operating increase for schools. A decline in state tax revenues in 1982 and an uncertain economy suggest that there may be even less state aid for schools in 1983.

The four volumes of EDSP's interim report are available at cost. *School Improvement in California*, by Carolyn S. Cates ($3.50), *School Improvement in Nevada*, by William M. Hering ($2.50), and *School Improvement in Utah*, by Sue McKibbin ($4.50), examine the situation in individual states. *Research and School Improvement in the Far West: The Effects of Federal and State Cutbacks, Consolidation, and Deregulation on Education in California, Nevada, and Utah*, by Paul D. Hood ($6.50), discusses the implications for research and development, dissemination, and school improvement. (Special price for all four volumes: $14.50.) Address orders (prepayment required) to Educational Dissemination Studies Program, Far West Laboratory, 1855 Folsom Street, San Francisco, California 94103.

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Nevada's prosperity depends in large part on tourism. With the general downturn in the economy, tourism is off, and sales and gaming tax revenues are down. The state's Distributive School Fund, which bears more than 50 percent of the cost of public education, may experience an $8.5 million deficit next year. The governor has asked Nevada education agencies to prepare contingency plans for a 3.5 percent across-the-board reduction this year.

In Utah, the school-age population started to rise in 1973, and the pattern shows no sign of stopping. Increasing enrollments in most school districts will severely strain limited state education funding capacity over the next several years. The state lacks the funds to build more schools, yet Utah expects to have 23,000 new students a year by 1989.

## Cutbacks

According to spokesmen, the Administration believes that the federal presence in education has been intrusive. Policy analysts agree that the Administration means to reduce that presence. One very effective way of reducing federal involvement is by cutting federal education spending. The Administration proposed a 24 percent cut in federal compensatory education funding for FY 1982. The Congress appropriated $3 billion. Spending for the twenty-eight federal categorical education programs consolidated by Chapter 2 of the Education Consolidation and Improvement Act (ECIA) of 1981 has been reduced from $537 million in FY 1981 to $470 million in FY 1982. The Administration has proposed $432 million for FY 1983. Reductions in other federal education programs have been substantial.

***State Education Agencies.*** Federal cuts have affected all three state education agencies (SEAs), because a large portion of state agency staff in all three states has been supported by federal funds. The case of the Utah State Office of Education shows how SEAs have reacted.

Over the years, largely with federal funds from ESEA Title V, the Utah State Office of Education built up a highly qualified staff of specialists and consultants who provided technical assistance to teachers and administrators on demand. By 1980, 80 percent of the positions in the Utah State Office were federally funded. Despite the high marks that the agency receives from Utah educators, the state legislature was forced to cut its state funding in 1980 — by 15 percent when the effects of inflation are figured in. State support for the state agency has dropped every year since then. This year, the Utah State Office lost more than $1 million to consolidation. The legislature was unable to replace that sum from state sources.

How is the Utah State Office responding? Positions that become vacant are not being filled. If someone retires, the position is eliminated. If a program is dropped, staff are shifted to other programs. Four field consultant positions have been lost since last year. Secretarial staff positions have also been eliminated. To handle the work of regular staff specialists whose services have been lost, the agency has hired four part-time technical consultants. They are paid an hourly wage and they recieve no fringe benefits. In a given year, no more than one quarter of regular staff receive salary increases. Seasoned Utah State Office administrators worry that the agency is losing "good people" to local schools and state universities. They fear that the Utah State Office may be ill-prepared to face the challenges of this decade.

***Local Education Agencies.*** Federal cutbacks will affect individual local education agencies (LEAs) in very different ways. For large urban districts with heavy concentrations of high-needs students, cuts in federal compensatory education, school desegregation assistance (ESEA Title VI, Emergency School Aid), and other programs will result in large losses. Twenty-nine districts in California, including the two largest, will lose more than $19 million to consolidation of the federal school desegregation assistance program. Districts that have been successful in winning funds under the competitive grant programs consolidated by Chapter 2 will also lose money. One large urban district in Utah received funds from sixteen programs included in Chapter 2; it will lose $1.25 million this year to consolidation.

Local education agencies depend far less on federal money than agencies at other levels. However, as *Background* shows, state and local tax revenues are down. Coupled with inflation, decreasing revenues produce shortfalls that create problems for local agencies. Cases where sums lost to federal cutbacks can be replaced with state funds or local tax revenues are very few. Moreover, as one state agency staffer in California put it, the federal money represented "risk capital" that enabled schools and districts to undertake innovative, improvement-oriented efforts that might otherwise be too costly or politically risky.

How are local education agencies reacting to federal cutbacks and state and local shortfalls? Researchers from Stanford University studied high schools in Northern California. They found that districts were consolidating schools, laying off teachers, eliminating administrative and central office positions, reassigning curriculum service staff and instructional support staff to teaching positions, not rehiring teacher aides, shortening the school day, instituting team teaching, cutting down on school maintenance, modifying or eliminating instructional programs — especially elective, remedial, and advanced placement programs — and reducing or eliminating noninstructional programs, such as extracurricular activities, staff development, and audiovisual services.

***Intermediate Agencies.*** Each of Nevada's seventeen counties operates a school district, and Nevada has no intermediate agencies. California has fifty-eight county

offices, and Utah has four regional service centers. These intermediate agencies rely on a mix of federal, state, and local funds to provide a broad range of technical assistance and professional development services to local educators. State support for California's county offices was cut in 1981-82 — by as much as 25 percent in some cases — so federal cutbacks create problems for certain agencies. For example, in 1981-82 sixteen county offices received a total of $3.9 million from programs now included in Chapter 2. California's Chapter 2 LEA allocation formula (see *Chapter 2 LEA Allocation Formulas*) provides special phaseout funding to county offices this year and next, but by 1984-85 — assuming that Chapter 2 funding stays level — these sixteen agencies will receive a total of less than $100,000.

Interviews with county office staff indicate that federal cutbacks and state shortfalls have reduced the ability of these agencies to provide free services of many kinds, including technical assistance and staff development. Activities in such traditional areas as special education, instructional materials, and data processing may be affected, so county office staff have been examining mission statements, surveying clients, and setting priorities. Some county offices have undertaken to market their services for fees. Others are taking steps to make local educators aware of the valuable free services that they provide. (See *Emphasizing Planning* for the response of one proactive California county office.) A few county offices have mounted extensive, in-depth planning efforts.

## Consolidation

Chapter 1 of the Education Consolidation and Improvement Act (ECIA) of 1981 rewrites Title I of the Elementary and Secondary Education Act of 1965, which targets substantial sums of federal money to meet the special educational needs of children of low-income families. ECIA Chapter 2 replaces twenty-eight federal categorical education programs — some targeted to underserved populations, many providing funds for school improvement efforts in particular content or support areas — with a single block grant to the states. Since ECIA was the first major federal effort to consolidate education programs and since it affects a number of school improvement programs, EDSP researchers were interested both in its impact on existing programs and services and on education agency planning for implementation of Chapter 2.

***State Education Agencies.*** ECIA states that the purpose of consolidation is "to greatly reduce the enormous administrative and paperwork burden imposed on schools at the expense of their ability to educate children." Another purpose of consolidation is to "transfer authority and responsibility" for administration of federal education money to state and local agencies. ECIA went into effect on July 1. State agency planning began last school year to ensure an orderly transition of responsibility from the federal level to the state level.

In all three states, state agency staff provided substantial leadership to LEAs and other agencies in their planning for implementation of the new legislation. There are seventeen LEAs in Nevada and forty in Utah. In both states, SEA staff have long-standing, cooperative working relationships with local educators. In both state, it was possible for representatives of every public education agency in the state to gather in a single room to discuss the formula for equitable distribution of Chapter 2 funds to LEAs and priorities for use of the state agency share. In both states, decisions about these two issues were fairly easy to make. (See *Chapter 2 LEA Allocation Formulas.*) In both states, the full 20 percent of Chapter 2 monies allowable under law went to the SEA. In California, action by the state legislature reduced the state agency share to 19.5 percent.

In sharp contrast to the situation in Nevada and Utah, 1,100 agencies in California are affected by consolidation — 1,042 LEAs and 58 county offices. As *Cutbacks* shows, some agencies have been affected very severely. To inform the deliberations of state advisory committee members, California State Department of Education (CSDE) staff created a data base showing the sums received by California education agencies in 1981-82 for all the programs consolidated by ECIA. Computer simulations displayed the effects of various LEA allocation formulas in dollar amounts for all 1,100 agencies. A CSDE staffer chaired state advisory committee meetings, and other CSDE staff made detailed presentations on state agency plans for its share of Chapter 2 money.

How does consolidation affect SEAs? Many federal categorical programs required a substantial number of state agency staff to administer the federal money distributed to local agencies in their state. Consolidation of these programs eliminates the need for staff who perform these functions. Until late this summer, normal attrition and staff reassignment enabled SEAs in all three states to maintain personnel. However, major reorganizations are now under way in both Nevada and Utah. In California, the incumbent state superintendent of public instruction, a twelve-year veteran, lost his bid for re-electon in November. Reorganization is expected after the new state superintendent takes office in January.

***Local Education Agencies.*** While large urban districts and some other "entrepreneurial" districts stand to lose to federal cutbacks, a good many districts will gain from consolidation. The amount of Chapter 2 money allocated to individual districts is determined by formula, and the formula is based on enrollment. Every district receives some Chapter 2 money, so the new federal approach means that many school districts in California, Nevada, and Utah will receive some "new" federal money.

This year, local education agencies in Nevada will receive $600,000 more under Chapter 2 than they received

last year from the programs that it consolidates. Utah districts will receive almost $1.2 million more. The picture in California is quite different. There, school districts received roughly $80 million in 1981 from the federal programs now included in Chapter 2. This figure drops to $34 million in 1982-83.

Almost 90 percent of the school districts in Nevada and more than 80 percent of the districts in Utah stand to gain from consolidation. In California, more than three out of four school districts and county offices in California will see gains, although just under half of the eligible agencies will receive only the guaranteed minimum — $2,500. Of the more than 200 districts that lose federal money to consolidation, roughly two out of three lose more than one third of their 1981-82 federal funding.

These gains do little to offset losses from level or decreased state and local funding, and additional cuts proposed by the Administration could cancel them out entirely. Moreover, for most of the agencies that benefit from Chapter 2, the actual dollar gains are too small to have much impact. Thus, few districts seem to be planning to use their "new" money to start programs. (For one district that does plan to use Chapter 2 money to start a new program, see *Spending "New" Money.*) Instead, deregulated Chapter 2 money will often be used to supplement the general fund — in many cases to continue programs started with money from past federal categorical programs, in a few cases to expand such programs. In general, innovation is not a priority. (For one district where it is, see *Increasing School Productivity.*)

***Intermediate Agencies.*** Consolidation treats intermediate agencies like LEAs, but its impact is somewhat different. Twenty-eight of California's fifty-eight county offices will lose federal funds to Chapter 2. The average loss is $54,000. The other thirty offices will gain from consolidation. The average gain is just over $2,000.

## Deregulation

As ECIA states, the federal categorical programs consolidated by Chapter 2 imposed an enormous "paperwork burden" on education agencies: plans or proposals at one end of the funding cycle, accountability reports at the other. Laws and regulations specified how money could be spent. Budgets were long and detailed and required many staff-hours to prepare. Evaluation was specified for most programs. Staff development was mandated for many. These requirements supported a large staff of evaluators, consultants, and supervisors. All this activity had to be monitored for financial accountability and programmatic compliance. Consolidation and deregulation eliminate many of the positions needed to administer federal categorical education programs at state and local levels.

The Nevada state agency has relied almost entirely on federal laws and regulations to administer federal education programs, so federal deregulation amounts to total deregulation. Utah has developed some state policy guidelines for federal programs, but local educators interviewed for the EDSP study did not feel that the SEA had been especially "regulatory." California has a number of categorical education programs of its own. Legislation that predates federal consolidation — AB 777, the School-Based Program Coordination Act — allows districts to coordinate funds from eleven state categorical programs for single schoolwide projects. Another provision enables schools to request waivers for almost all requirements of the state education code. In this respect, AB 777 goes far beyond federal deregulation, which affects only the twenty-eight categorical programs consolidated by Chapter 2.

SEAs are providing information and other assistance requested by LEAs in their planning for Chapter 2. One district in Nevada asked that state's federal programs coordinator if it could use all its Chapter 2 money for a single staff development project. "I told them we could not tell them how to spend their money," he said, "so long as it was in compliance with the law."

All three states have taken steps to simplify the application process for money made available to LEAs under Chapter 1 and Chapter 2. Local educators cite this as evidence that consolidation will reduce the enormous paperwork burden, at least at the front end of the funding cycle. There is a good deal of uncertainty about the impact of consolidation at the other end of the cycle, however. Staff of state and local education agencies in all three states have expressed concern about the possibility of federal audits. There are indications that this concern has played a role in some decisions about the use of Chapter 2 money. In Utah, state agency staff have recommended that LEAs use their Chapter 2 funds for Subchapter B — that is, for educational improvement and support services projects — because Subchapter B "is much more auditable."

It seems clear that Chapter 2 will simplify the evaluation process. However, its impact on accountability remains to be seen. Most state and local educators interviewed by EDSP staff were taking a wait-and-see attitude. As one school superintendent told an EDSP interviewer: "I don't see that much change in what we have to do, only in who is responsible. We don't have to submit as often or submit as much information, but we still have to keep records." An administrator from one of Utah's larger districts thinks that his staff may be able to "relax a bit now," but, he hastens to add, "we'll still do an much as we need to." However, evaluation practices will change. Now, he expects to collect only the information "that makes the most sense." They will not collect information, he says, "just because somebody else wants to know."

## Three Case Studies

The three state volumes of EDSP's interim report contain thirteen small case studies of local and intermediate agencies. Individual sites were chosen to reflect the diversity of each state. Highlights of three studies are presented here. Fictitious names have been used for case study sites.

### *Emphasizing Planning*

State funding for California's fifty-eight county offices was cut last year, so stocktaking and planning have become critical. As the director of the Cliffs County cooperative schools program puts it, county offices have "to provide evidence that they offer services that districts wouldn't have otherwise."

The county superintendent has always believed that research and evaluation activities can help to allocate limited resources. Now, he argues, cutbacks at the local and intermediate levels make short- and long-range planning critical.

Cliffs County school districts are small. They have not received much federal money in the past. Under consolidation, they all receive small sums of federal education money. To help Cliffs County school districts take advantage of their modest gains and mitigate losses from state and local shortfalls, the county's cooperative schools programs hired a full-time planner-evaluator. "We're trying to nudge schools out of the muddling-through syndrome," says the cooperative program's director. "A program planner-evaluator can help schools obtain the information they need, then use it for decision making."

The program director for one small district prepares and submits applications, plans, evaluation designs, and reporting schedules for all federal and state education programs in which her district takes part. She says that she has already drawn heavily on the planner-evaluator. It has been very helpful, she says, to have someone available who knows about evaluation and who can help her to build it in from the very beginning.

### *Spending "New" Money*

Two hundred teachers serve 2,600 students in Nevada's Mountain County School District. Mountain County is fairly prosperous, and its schools get relatively little support from the state, so cuts in state education funding have not affected it to any serious extent. The district expects to receive $34,000 in federal compensatory education funding this year, down from $41,000 in 1981-82. Chapter 2 brings it $37,000, $16,000 more than it received in 1981-82 from the programs consolidated by Chapter 2.

Last year, Mountain used almost half of its federal money for library projects; the rest supported a basic language skills center and three small content-area projects. This year, the district plans to spend all its Chapter 2 money, including its $16,000 in "new" money, on a single project — a professional development center, headed by a full-time director. The center will use clinical supervision techniques to improve specific teaching skills.

The center was the superintendent's idea. He learned about similar centers in California from talks with California State Department of Education staff. The superintendent's plan was backed by teachers and students, administrators, and parents, and it received unanimous approval from the local board. The librarians could have lost $9,000 to the plan, but the board voted to use local bond money for their library enrichment project.

The superintendent wants center activities to focus on specific teaching skills, because this will make it easier for the center to demonstrate its effectiveness. Chapter 2 won't last forever, he says, so the center will have to develop local support.

### Chapter 2 LEA Allocation Formulas

ECIA requires each state to develop a formula ensuring equitable distribution to LEAs of at least 80 percent of the state's Chapter 2 money. The law requires this formula to be developed by the SEA with the "advice" of the state's Chapter 2 advisory committee.

In Nevada and Utah, the LEA allocation formula is based on the state's general school funding formula, with some minor modifications. In both these states, agreement was relatively easy to reach. The state agency received the full 20 percent allowable under the law. In Nevada, no district will receive less than $3,000.

California's formula double-weights enrollment in districts where counts of low-income children and limited-English-proficient children exceed the state average, and it provides special phaseout funding to districts undergoing desegregation and to county offices that received Title IV-C funds. No school district or county office will receive less than $2,500.

## *Increasing School Productivity*

To spur Utah educators to explore ways of serving more students in existing facilities with current staff, the state legislature funded two experimental productivity projects in 1981 — one at Foothill Unified, a large suburban district that serves 22,000 students in thirty-six schools.

All staff at the pilot site — a junior high school — were involved in the planning, which occupied the first year of project efforts. District administrators referred all operational decisions to the teachers, who decided to cut eight of thirty teaching positions, increase class size from twenty-six to thirty-two, and teach seven classes a day.

Thanks to these steps, the school saves enough money to place all teachers on an eleven-month contract. Staff salaries can also increase — as much as 50 percent in some cases. Finally, every teacher receives a bonus if achievement increases schoolwide this year.

Project developers reasoned that higher salaries would make it unnecessary for teachers to hold second jobs; this should improve their teaching. Further, higher salaries would help to attract and retain needed new talent — perhaps even improve teachers' status in the community. Most important, if the experiment works, the school may not have to build or rent additional facilities.

The project went into operation this September. While a district spokesman concedes that there has been some opposition, he points out that no one at the pilot site was forced to participate, and everyone was involved from the very beginning. "It may or may not be successful," he adds, "but at least we can say we had an interesting idea and did our best with it."

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## Implications for School Improvement

The EDSP study sought to identify the positive and negative factors affecting state and local school improvement activities. Negative factors identified by EDSP researchers include: elimination of many federally funded school improvement projects; cutbacks in other education programs that reduce school improvement capacity; long-term shortfalls in support for research and development affecting the size and quality of the knowledge base; and shortfalls in state and local funding that reduce the capacity of education agencies to support school improvement activities. Positive factors include: improvements in the quality and efficiency of many remaining programs; continued support for some truly useful projects; initiation of some new projects; establishment of cooperative efforts to share resources and secure public, political, and financial support; and reorientation of education agency planning from narrow and short-term to multiprogram, multiagency, long-term perspectives.

The negative factors suggest that the conditions necessary for initiating and sustaining effective school improvement efforts may be less prevalent in the next several years. The positive factors suggest that education agencies in the Far West will not be totally without appropriate incentives and resources.

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